

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
Edward A. Garvey
Marshall Johnson
LeRoy Koppendrayner
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Minnesota Power's
Renewable Energy Rate Implementation Plan

ISSUE DATE: March 8, 2002

DOCKET NO. E-115/M-01-1650

ORDER APPROVING RENEWABLE
ENERGY RATE IMPLEMENTATION
PLAN AND IMPOSING REQUIREMENTS

PROCEDURAL HISTORY

On May 29, 2001, the Minnesota Energy Security and Reliability Act was signed into law. This law (Minn. Stat. 216B.169, subd. 2) requires electric utilities to offer customers the option of buying a certain amount of electricity generated or purchased from renewable energy or energy generated by high efficiency low emissions distributed generation. The new law includes the following requirements.

1. Each utility shall offer its customers, and shall advertise the offer at least annually, one or more options that allow a customer to determine that a certain amount of the electricity generated or purchased on behalf of the customer is renewable energy or energy generated by high-efficiency, low emissions, distributed generation such as fuel cells and microturbines fueled by a renewable fuel.
2. Each public utility shall file an implementation plan within 90 days of the effective date of this section to implement subdivision 2(a), which reads as follows: Each utility shall offer its customers, and shall advertise the offer at least annually, one or more options that allow a customer to determine that a certain amount of the electricity generated or purchased on behalf of the customer is renewable energy or energy generated by high-efficiency, low emissions, distributed generation such as fuel cells and micro turbines fueled by a renewable fuel.
3. Rates charged to customers must be calculated using the utility's cost of acquiring the energy for the customer must: (1) reflect the difference between the cost of generating or purchasing the renewable energy and the cost of generating or purchasing the same amount of nonrenewable energy; and (2) be distributed on a per kWh basis among all customers who choose to participate in the program.

4. Implementation of these rate options may reflect a reasonable amount of lead time necessary to arrange acquisition of the energy. The utility may acquire the energy demanded by customers, in whole or in part, through procuring or generating the renewable energy directly, or through the purchase of credits from a provider that has received certification of eligible power supply pursuant to subdivision 3. If a utility is not able to arrange an adequate supply of renewable or high-efficiency energy to meet its customers' demand under this section, the utility must file a report with the commission detailing its efforts and reasons for its failure.

On November 1, 2001, Minnesota Power (MP or the Company) filed its implementation plan for renewable energy rates.

On November 30, 2001, the Minnesota Department of Commerce (the Department) filed its comments.

The Commission met to consider this matter on January 31, 2002.

FINDINGS AND CONCLUSIONS

I. MINNESOTA POWER

A. Implementation Plan

On November 1, 2001, Minnesota Power petitioned the Commission seeking approval of its implementation plan to fulfill the statutory requirement of Minn. Stat. 216B.169. Minnesota Power's plan has two components: its renewable energy rider (the WindSense program), and the Renewable Auction program.

1. MP's Renewable Energy Rider (The WindSense Program)

The Commission approved the Company's Renewable Energy Rider (WindSense program) in an Order dated August 7, 2001.¹ The rider makes renewable wind energy available to residential and general service (small commercial) customers. Customers participate in the WindSense program by purchasing from one to twenty, 100 kWh, blocks of wind energy at a surcharge of \$2.50 per block per month.

To obtain the energy for the long term competitive prices, Minnesota Power entered into a 15-year must-take commitment to procure the wind resource for the WindSense program. Minnesota Power purchased 1 MW to meet the expected participation levels by residential and general service customers.

¹ See Order issued August 7, 2001, in Docket No. E-015/M01-897.

Minnesota Power believes the WindSense program conforms with the criteria in Minn. Stat. 216B.169. The program has been announced in a press release and advertised in local newspapers and in Minnesota Power's bill insert.

2. Renewable Auction Program

As part of its implementation plan, Minnesota Power proposed an annual Renewable Auction program for its larger, demand-metered customers. The auction program will annually allow eligible customers to submit an offer to purchase qualifying resources. Minnesota Power, through an independent evaluator, will match the requests (to the extent possible) with supplies secured through a request for proposal process. The program allows larger customers to define their individual reliability and price requirements for renewable and distributed generation energy acquired on their behalf.

Upon Commission approval of its Renewable Auction plan, Minnesota Power will work closely with the Department to develop the details of the program, including, (1) the customer offers to purchase, (2) the supply RFP, (3) the matching process, (4) customer purchase agreements, (5) hiring an independent evaluator, and (6) development of audit procedures.

B. Requested Variance of Minn. Stat. § 216B.48

Minnesota Power requested that the Commission grant a variance from the Minn. Stat. § 216B.48 requirement that it make a separate affiliated interest filing in order for an affiliate to bid or upon acceptance of an affiliate bid by the independent evaluator.

The Company believes it and its affiliates have the right to participate as bidders in the Renewable Auction. Minnesota Power also argued that separate affiliate interest filings would unfairly add regulatory cost, delay, and create a disadvantage for the affiliate. With Department oversight and independent bid evaluation, Minnesota Power believes permitting the Company and its affiliates to bid in the process would be fair. The Company argued that the requirements in Minnesota Rules, part 7829.3200, for granting a variance in this case have been met.

C. Certification That Resources Comply With Statute

Minn. Stat. § 216B.169 requires the Department's Commissioner to certify the energy supply or suppliers as renewable or generated by high-efficiency, low emissions, distributed generation and that the power supply is only sold once to retail consumers. Minnesota Power stated that it cannot implement its auction program until the term "qualifying distributed generation" is defined. The Company proposed that the Department develop and publish the criteria and process by February 1, 2002 using a generic process that includes both prospective suppliers and utilities. The Company explained that this would give all participants the opportunity to react to the criteria and implement their programs.

Minnesota Power requested that the Commission encourage the Department to work with potential suppliers and utilities to develop the detail necessary to pre-certify renewable and distributed generation resources acceptable for use in utility plans in response to Minn. Stat. § 216B.169. Minnesota Power suggested the certification criteria be developed in a generic proceeding in which all affected stakeholders have the opportunity to participate.

Minnesota Power asked the Commission to urge the Department, in developing the criteria, to consider and address five (5) practical issues. The Company also provided a set of requested decision options, asking the Commission to make seven (7) specific findings.

II. THE DEPARTMENT'S COMMENTS

The Department noted that the plan has two components: (1) a Voluntary Renewable Energy Rider offered to residential and commercial customers that has already been approved by the Commission; and (2) a proposed implementation plan for a Renewable Auction program for its larger, demand-metered customers that was not previously approved by the Commission. The Department concluded both are in compliance with Minn. Stat. § 216B.169.

The Department stated that the renewable rider for residential and commercial customers, previously approved by the Commission, would result in just and reasonable rates and is in compliance with Minn. Stat. § 216B.169. Thus, it recommended that the Commission find that the rider satisfies the requirement to implement a renewable energy rate as contained in Minn. Stat. § 216B.169.

The Department also recommended that the Commission approve the Company's plan to develop a Renewable Auction Program for larger, demand-metered customers. The Department does not support granting the variance requested by Minnesota Power at this time since the Company has not filed the details of the Renewable Auction Program for review.

Regarding MP's proposal for a Renewable Auction Program (for larger, demand-metered customers), the Department stated that based on the information available at this time on the renewable auction program, the Company's plan appears to be reasonable. The Department stated that it will examine the renewable auction filing in more detail once it is fully developed and filed, including the appropriateness of granting a variance from requiring a separate affiliated interest filing under Minn. Stat. § 216B.48 in order for an Minnesota affiliate to bid or upon acceptance of an affiliate bid by the independent evaluator.

As to the Company's request that the Department pre-certify renewable and distributed generation resources as acceptable for use in utility plans developed in response to Minn Stat. 216B.169, the Department noted that Minn. Stat. 216B.169, subd. 3, requires the Commissioner to certify a power supply as eligible to satisfy customer requirements upon finding:

(1) the power supply is renewable energy or energy generated by high-efficiency, low-emissions, distributed generation; and

(2) the sales arrangements of energy from the supplies are such that the power supply is only sold once to retail customers.

The Department agreed with Minnesota Power that there is a need to define what "high-efficiency, low-emissions, distributed generation" means, and will work with all affected stakeholders to develop the needed certification criteria. However, the Department concluded that "renewable energy" has the meaning given in Minn. Stat. § 216B.2422, subd. 1(c).

III. COMMISSION ANALYSIS AND ACTION

A. MP's Implementation Plan

Having reviewed the parties' filings and comments, the Commission makes the following findings and will impose the following requirements.

1. Findings

The Commission finds that Minnesota Power's renewable energy rate implementation plan, filed on November 1, 2001, in Docket No. E-015/M-01-1650, satisfies the requirement in Minn. Stat. § 216B.169, subd. 2(b), to file an implementation plan for a renewable high-efficiency energy rate.

The Commission further finds that Minnesota Power's Voluntary Renewable Energy Rider (WindSense Program) meets the requirements for a renewable energy rates contained in Minn. Stat. § 216B.169, subd. 2(a), (c) and (d).

2. Requirements

The Commission will require Minnesota Power to advertise its renewable rate offer at least annually as required by Minn. Stat. § 216B.169, subd. 2(a) and further require Minnesota Power to file updates to its renewable and high-efficiency energy rate implementation plan, and recommendations for improvement, as part of its biennial resource plan filings under Minn. Stat. § 216B.2422.

B. Proposal for a Renewable Auction Plan

The Commission would like to review the specific rider and details of the program, which the Company has not filed to date. Accordingly, the Commission will defer a decision regarding approval until the program is developed more fully, take no action on Minnesota Power's renewable auction program at this time, and require the Company to file the completed program with the Commission for approval once the details have been worked out with the Department.

C. Variance Request

The Commission will take no action on the variance request, as recommended by the Department, but notes that a statutory requirement is not amenable to variance pursuant to Minn. Rules, Part 7829.3200, as the Company appears to request. Perhaps the request will be clarified in subsequent filing.

D. Certification That Resources Comply With Statute

Minn. Stat. § 216B.169, subd. 3 requires the Department to certify a power supply or supplies as eligible to satisfy customer requirements under this section of the law. The Department must make a finding that the power supply is renewable energy or energy generated by high-efficiency, low emissions, distributed generation. It must also find that the sales arrangements of energy from the supplies are such that the power supply is only sold once to retail consumers.

The Commission will encourage the Department to work with interested parties, including potential suppliers and utilities such as MP to develop the detail necessary to certify renewable energy or energy generated by high-efficiency, low emissions, distributed generation acceptable for use in utility plans in response to Minn. Stat. § 216B.169.

ORDER

1. The Commission finds that Minnesota Power's renewable energy rate implementation plan, filed on November 1, 2001, in Docket No. E-015/M-01-1650, satisfies the requirement in Minn. Stat. § 216B.169, subd. 2(b), to file an implementation plan for a renewable high-efficiency energy rate.
2. The Commission further finds that Minnesota Power's Voluntary Renewable Energy Rider (WindSense Program) meets the requirements for a renewable energy rates contained in Minn. Stat. § 216B.169, subd. 2(a), (c) and (d).
3. Minnesota Power shall advertise its renewable rate offer at least annually as required by Minn. Stat. § 216B.169, subd. 2(a).
4. Minnesota Power shall file updates to its renewable and high-efficiency energy rate implementation plan, and recommendations for improvement, as part of its biennial resource plan filings under Minn. Stat. § 216B.2422.
5. Minnesota Power shall file the completed program with the Commission for approval once the details have been worked out with the Department.
6. The Department is encouraged to work with interested parties, including potential suppliers and utilities to develop the detail necessary to certify renewable energy or energy generated by high-efficiency, low emissions, distributed generation acceptable for use in utility plans in response to Minn. Stat. § 216B.169.

7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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